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Control No. 2146
21 April 1955

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MEMORANDUM FOR: Economic Defense Intelligence Committee

FROM : Executive Secretary, EDIC

SUBJECT : "Balance-Sheet" of EDIC Accomplishments and Shortcomings Under its Terms of Reference

1. At the meeting of 17 March the Acting Chairman "noted the possible need for a revision of EDIC terms of reference to reflect a changed situation". This matter was considered further at the 14 April meeting of EDIC (see EDIC/M-8 for details). The following "balance-sheet" of EDIC accomplishments and shortcomings has been prepared as background for future discussion of this subject. This statement does not purport to be a complete or detailed analysis of the EDIC operation but merely observations by the Executive Secretary on certain fundamental points which have been revealed in the nearly three years of EDIC (IWG) activity.

2. For reference purposes the following are cited as basic documents:

- a) IWG(EDIC) Terms of Reference - IAC-D-53/1 of 25 July 1952, as revised by IAC-D-53/3.1 of 25 February 1953
- b) Intelligence Working Group Procedures - EDAC D-48, 25 May 1953
- c) First Annual Progress Report of the IWG - IWG/R-13, 18 September 1953
- d) Second Annual Progress Report of the IWG - IWG/R-19, 1 September 1954
- e) Requests for Economic Defense Intelligence - EDAC Memo 40a, 8 May 1954
- f) Proposed FY 1955 OIR Economic Defense Staffing Program - ED/EC D-60/1 of 17 September 1954
- g) Memorandum from Chairman Executive Committee to Acting Chairman EDIC on "Channelling of EDAC Agency Requests for Intelligence Under DCID 15/1"
- h) Memorandum from Acting Chairman Executive Committee to Chairman IWG of 18 November 1953 - Comments on First Annual Progress Report of the IWG

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EDIC/AM-10

- i) Memorandum from CIA/RR to OSD on "Respective Responsibilities of the EIC and IWG in the Study of Relatively Long-Term Problems" - 4 December 1953
- j) Statement on Status of IWG Activity - IWG/AM-21, 12 May 1954

3. The degree to which EDIC has succeeded in fulfilling its mission may be summarized briefly under the several assigned activities in its Terms of Reference, as follows:

a) Arrange for the mobilization of the economic data and analysis relevant to appropriate needs of the EDAC. EDIC success in this assigned activity has been dependent upon the degree to which EDAC components (including its Working Groups and member agencies) have been willing to use EDIC facilities, under procedures defined in EDAC D-48, in drawing upon intelligence resources of the Government. EDAC's use of EDIC is reflected in the initiation of "cases" where EDAC needs are made known. In recent months there has been a marked decline in this utilization. Between July 1952 and January 1954, a total of 75 cases were initiated. One case was submitted to EDIC on 20 October 1954. Only four cases have been initiated subsequently. Within the context of mobilizing economic data, mention should be made of the contributions which have been made by EDIC subgroups in the production of specific reports. It would appear that there should be increased use of the subgroup concept on problems not of direct concern to all member agencies.

b) Prepare or arrange for the preparation of reports which present the best available economic intelligence on problems of concern to the EDAC. Seventeen reports (not including two annual reports) were prepared under IWG auspices between July 1952 and September 1954. Only two reports have been prepared since that date. This again is a reflection of the fact that intelligence support to the EDAC has not been channelled through EDIC but has flowed instead directly from the several intelligence agencies to EDAC consumers. Slow processing of reports by EDIC has been given as a reason for consumer reluctance to utilize EDIC facilities. Although there is some validity to this charge, it is not entirely relevant. Examples can be cited of similar delays having ensued when such support to EDAC flowed directly from intelligence to action agencies. Intelligence support for the copper

- 2 -

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EDIC/AM-10

negotiations and China List review are two such instances. Both of these problems were assigned initially to EDIC(IMG) but were subsequently withdrawn and handled directly between the action and intelligence agencies, and both continued over a period of several months.

c) Provide current intelligence to the EDAC in response to specific requests or on its own initiative. This was thought to be a primary function of IMG upon its establishment. It was soon discovered, however, that this function could best be carried on outside IMG and at the recommendation of the IMG Subgroup on Current Intelligence, facilities for this purpose were established in CIA. This CIA unit, working closely with the Diversion Control Net, has operated successfully in this field and has supplanted the need for similar operations in EDIC. During the entire period of IMG/EDIC operations, ONI has contributed significantly to the EDAC program by providing intelligence on ship and cargo movements. Since October 1953, also, the EDIC has served as the channel for transmission of enforcement intelligence from CIA to the Diversion Control Net.

d) Request intelligence memoranda and reports from the several intelligence agencies as required. No comment is considered necessary on this routine operation except to point out that during the security list review in the spring of 1954, a special effort was made to obtain additional information and support from the military intelligence agencies.

e) Determine the necessity, desirability, and feasibility of obtaining further information or intelligence concerning the subject matter of specific reports or to fill specific gaps, and recommend action by appropriate agencies to meet these needs. EDIC has been a particularly useful facility in this field, although it has not been entirely successful in its efforts to improve the collection of economic defense intelligence. Its action on the SOVMAT program, IMG production of a report indicating the need for intelligence work on Soviet bloc external financial operations, and its assistance in development of a program for lateral dissemination of economic defense intelligence can be cited in this regard.

f) Arrange for the review, on a continuing basis, of pertinent intelligence materials to provide for the timely distribution of such materials to the IMG representatives. No specific action under this heading can be cited although consideration was once given to the

- 3 -

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EDIC/AM-10

circulation of an economic defense digest for information of members. More recently, copies of OIR intelligence reports have been circulated for comment within EDIC.

4. EDIC has provided the sole interagency forum where action agencies meet with representatives of CIA, ONI, G-2, and State/OIR to mobilize the intelligence resources of the Government for the support of the economic defense program. EDIC is thus unique in serving as a focal point of Government-wide intelligence support at the working level for EDAC and its member agencies. Its record of accomplishment reflects the potential capabilities of the Committee.

EDIC could make an even greater contribution to the economic defense program through more active participation in both the programming of intelligence research for economic defense and in the production of coordinated intelligence. Furthermore, EDIC can serve effectively as the intelligence "catalyst" in time of emergency provided its capabilities are fully developed and exploited in the present "cold war" situation.

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- 4 -

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